

Real Estate Fundamentals For Real Estate Salespersons

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Revised Real Estate Fundamentals Curriculum for Real Estate Salespersons

Introduction

During the 1994 Session, the Washington State Legislature passed ESB 6284 requiring individuals seeking a real estate salesperson's license to complete a 60 clock-hour course in real estate fundamentals. In addition, those seeking their first renewal must successfully complete 30 clock-hours of instruction in real estate practices and 30 clock-hours of continuing education.

The Director of the Department of Licensing with the advice and approval of the Washington Real Estate Commission is charged with the responsibility of implementing these legislative changes.

On the basis of extensive feedback and discussion with industry groups, the Department and Commission submit the following proposed fundamentals curriculum for salespersons to replace the course content outline previously promulgated in WAC 308-124H-035. The Department and Commission recommend that revisions be made annually to the curriculum adopted by the Department and Commission in final form.

The curriculum provides suggested levels of learning. These are merely provided as guidance. It is assumed that schools and instructors may modify coverage as needed to meet the requirements of students. The sequence of topics is also only provided for guidance.

Recommended Learning Levels

Not all subjects are as important as others. Not all subjects require the same level of learning. In developing the recommendations for a new fundamentals curriculum, the Department and Commission also analyzed the recommended topics with respect to desirable learning levels.

ARELLO has described learning levels known as "Bloom's Taxonomy" in the following paragraphs. The paragraphs are preceded by designations such as "B-1". These designations will be used to identify the learning level recommended for a particular set of topics. A higher designation assumes that students have also achieved lower designated learning levels.

B-1 KNOWLEDGE. Knowledge is defined as the remembering of learned material. This may involve the recall of a wide range of material, from specific facts to complete theories, but all that is required is the remembering of the appropriate information. Examples: Know definitions of common terms, basic concepts, methods and procedures and principles.

B-2 COMPREHENSION. Comprehension is defined as the ability to grasp the meaning of material. These learning levels go one step beyond the simple remembering of material and represent the lowest level of understanding. Examples: Understand and interpret facts and principles.

B-3 APPLICATION. Application is defined as the ability to use learned material in new situations. Examples: Apply laws and theories to practical situations. Demonstrate correct usage of a method or procedure.

B-4 ANALYSIS. Analysis refers to the ability to study or determine the nature and relationship of the parts. Examples: Distinguish between fact and inference and evaluate the relevancy of data.

B-5 SYNTHESIS. Synthesis refers to the ability to put parts together to form a new whole. Learning outcomes in this area stress creative behaviors, with major emphasis on the formulation of new patterns or structures. Examples: Propose a plan for an experiment, integrate learning from the different areas into a plan for solving a complex problem.

B-6 EVALUATION. Evaluation refers to the ability to determine the significance or worth of something by careful study. Examples: Form a valid opinion through weighing of evidence.

Educational objectives for salesperson's real estate fundamentals course

The salesperson's real estate fundamentals course is intended to make a person minimally competent to enter the profession. Most of the topics are intended to be taught at B-1 - Knowledge and B-2 - Comprehension levels. In 60 clock-hours, it is difficult to attain higher learning levels, and at the same time, cover all of the topics required. This course is intended to focus on real estate principles, terminology, laws, and regulations. After passing the licensing examination, it will be necessary for new licensees to obtain education that applies theory to practice.

In the curriculum outlined below, it is expected that the following concepts will be explained in appropriate sessions.

- A. Basic computations
- B. Use of calculator/Personal Computer
- C. Real Estate Problems
 - 1. land description
 - 2. area measurements
 - 3. prorations
 - a. insurance
 - b. taxes
 - c. rents
 - d. interest
 - e. others
 - 4. commissions
 - 5. depreciation
 - 6. appreciation
 - 7. profit and loss
 - 8. financing

Required Topic Areas and Educational Objectives

Real Estate as a Career

Upon completion of this section, the student should be able to:

1. Explain the services of various types of real estate companies
2. Identify related business activities associated with real estate
3. Identify factors involved in real estate as a career
4. Identify the various local, state, and national agencies involved in regulating the real estate industry
5. Explain the differences and identify specific responsibilities for independent contractors and employees
6. Identify professional trade associations (including codes of ethics) within the real estate industry and explain why they differ from regulatory agencies

Real Property Ownership, Rights, Interests and Land Use Controls

Upon completion of this section, the student should be able to:

1. Define and describe land, real estate, real property, personal property, surface rights, subsurface rights, air rights and water rights
2. Define fixtures, including trade fixtures and apply the legal tests of a fixture
3. Identify various forms/types of housing
4. Itemize the factors that influence home ownership
5. State the differences between the feudal system of land ownership and the allodial system of home ownership
6. Define the concept of real estate as a "bundle of legal rights"
7. List and define the sources of law relating to real property in the United States and provide examples
8. Name and define the powers of government that may limit ownership of real property
9. Describe the two types of estates in land
10. Define fee simple, determinable fee and fee simple subject to condition subsequent
11. Describe a conventional life estate and differentiate between remainder interests and reversion interests
12. Define ownership in severalty
13. Define forms of co-ownership including:
 - a. community property
 - b. joint tenancy
 - c. tenancy by the entirety
 - d. tenancy in common
 - e. dower and curtesy
 - f. land trusts

14. Define ways in which business organizations can hold ownership of real property including:
 - a. Partnerships
 - b. Joint ventures
 - c. Corporations
 - e. Cooperatives
 - f. Condominiums
 - g. Limited liability companies and partnerships
 - h. Syndications
 - i. Real estate investment trusts
15. Describe the provisions of homestead laws
16. Define the term encumbrance
17. Define the terms lien, restrictions, encroachment and easement and give examples of each
18. Describe the creation and the termination of easements including by necessity, prescription and condemnation
19. Describe a license and its effect on real property
20. Define the following forms of liens; voluntary, involuntary, statutory, equitable, general and specific
21. Describe and explain the effects of a lien as an encumbrance on title to real property
22. Give an example of the priority of liens on a title
23. State the differences between general taxes and special assessment taxes
24. Describe the manner by which a governmental body determines and assesses amount of taxes
25. Identify the procedures for enforcing tax liens
26. Describe and give examples of construction liens (mechanic's liens and materialmen's liens)
27. Describe judgments and their effect on titles
28. Name and define the methods by which land use is controlled
29. Describe the aspects of police power that enable public use and control of land.
30. State the purposes and typical provisions of a comprehensive plan
31. Discuss the problems of private land use control through deed restrictions
- 32. Explain land use control through direct public ownership**

Contract Law

Upon completion of this section, the student should be able to:

1. Define the term contract
2. Describe the creation of an express contract and an implied contract
3. State the differences between a bilateral contract and a unilateral contract
4. Classify a contract as being either executed or executory
5. Define and illustrate the legal effects of contracts: valid, void, voidable and unenforceable
6. List the essential elements of a valid contract
7. Define the phrase "time is of the essence" as it pertains to performance of a contract
8. Define "statute of limitations" and the "statute of frauds" as they relate to real estate contracts
9. Discuss the differences between assignment and novation
10. Name and describe the differences on how a contract can be discharged or terminated
11. Describe the rights of both parties in the event of default by either party
12. Explain and describe the various contracts used in the real estate business: listing agreements, purchase and sale agreements/earnest money agreements, option agreements, real estate contracts, leases and escrow instructions

Agency Law and Brokerage Relationships

Upon completion of this section, the student should be able to:

1. Define the terms agency and brokerage relationships and name the involved parties
2. Describe real estate agency and what is meant by a fiduciary relationship
3. Describe fiduciary duties and the consequences for breaching them
4. Define who is a principal and discuss the differences between clients and customers
5. Define and give examples of the different types of agency brokerage relationships including: buyer agency, seller agency, consensual dual agency, split, or assigned agency, subagency, non-agency (facilitation), cooperation and compensation, tenant representation and landlord representation
6. Describe the creation and termination of agency in real estate
7. List and describe agent responsibilities to principal and third parties
8. Discuss agency disclosure requirements identified in the Revised Code of Washington and the Washington Administrative Code
9. Describe the role of multiple listing associations and cooperative brokerage agreements
10. Explain the reasons for antitrust laws, how they affect real estate brokers and licensees, and the penalties for violating them

Listing Agreements and Procedures

Upon completion of this section, the student should be able to:

1. List and describe the different types of listing agreements
2. Describe the key provisions in a listing agreement
3. Identify the ways a listing agreement can be terminated
4. Describe the remedies for breach of a listing agreement
5. Identify various methods for determining broker's compensation
6. Describe the broker's entitlement to a commission
7. Explain the necessity for disclosure of material facts and material defects and explain the elements of a Seller Property Condition Disclosure Form
8. Explain the basic methods of legally describing real property
9. Discuss the necessity of obtaining and using a correct legal description
10. Demonstrate proficiency in using the various land units and measurements
11. Identify sources for obtaining listings
12. Explain the basic elements of a market analysis (CMA)
13. Explain the elements of preparing a property for marketing and identify typical improvements that will make the property more marketable
14. Explain state and federal regulations and requirements affecting the advertising of real property
15. Explain the process for conducting an open house for agents and the public
16. Identify and explain types of construction techniques and building materials

The Selling Process

Upon completion of this section, the student should be able to:

1. Define and discuss the term "title" as it pertains to real estate
2. Identify and describe the methods by which "title" may be transferred
3. Explain the basic requirements for a valid conveyance
4. Identify and describe the various forms of deeds and their essential elements
5. Explain real property excise tax requirements and identify affected real property transactions
6. Explain the concept of the "unauthorized practice of law"
7. Define and describe the purpose of a purchase and sale agreement
8. Describe the key provisions of a purchase and sale agreement
9. Describe how a purchase and sale agreement may be terminated
10. Describe the remedies for breach of a purchase and sale agreement
11. Discuss the significance of contingencies and identify a number of standard contingencies relating to the purchase of real property
12. Describe the use of purchase and sale agreement addenda
13. Describe the process of presenting offers and counteroffers
14. Explain how funds, including deposits, will be handled in a closing, or a cancellation/termination
15. Describe how to practice a safety first attitude when showing property
16. Identify and explain personal safety measures
17. Identify and explain potential safety hazards and unsafe environmental conditions
18. Explain buyers and sellers responsibilities from sale to closing
19. Explain licensees responsibilities to facilitate closing

Real Estate Valuation

Upon completion of this section, the student should be able to:

1. List and give examples of the uses of real property
2. Explain why the value of real property does not remain the same
3. Define market, supply and demand
4. Identify factors that affect supply and demand
5. Define and explain the differences between market value, market price and cost
6. Define the concepts of an appraisal
7. Explain the differences between an appraisal and a market analysis (CMA)
8. Explain the concept of "highest and best use"
9. Define the three approaches to value and give examples of the general use of each: market data, cost and income
10. Explain the difference between reproduction cost and replacement cost
11. Explain the basic concepts of depreciation [B-1 level]
12. Explain the primary purpose for state license law requirements for licensed and certified appraisers
13. Explain the advantages, disadvantages and purposes of real estate investment
14. Define the terms leverage, equity, basis and capital gain
15. Describe the tax benefits of real estate ownership, investment, exchanges, depreciation and installment sales
16. Describe the purpose and effect of tax credits

Real Estate Finance

Upon completion of this section, the student should be able to:

1. Explain the differences between a lien theory state and a title theory state
2. Define and describe the following terms: security instrument, financing instrument, mortgage, usury, deed of trust and promissory note
3. Explain the significant differences of a mortgage and a deed of trust
4. Define interest and amortization and describe the various methods by which interest is computed
5. State the reasons for prepayment penalties
6. Describe various loan payment plans
7. Explain the priorities involved in recording mortgages and deeds of trust
8. Explain tax and insurance reserves and describe how financial institutions insure their payment
9. Describe the difference between "buying subject to" and "assuming" a mortgage or deed of trust
10. Explain what happens in a foreclosure action, or a forfeiture action
11. Describe what is meant by conventional, insured and guaranteed loans
12. Identify the significant elements and differences between FHA-insured and VA-guaranteed loans
13. Define and describe other forms of financing including:
 - a. purchase money mortgages
 - b. blanket mortgages
 - c. wrap-around mortgages
 - d. open-end mortgages
 - e. construction loans
 - f. sale and leaseback
 - g. installment contracts
 - h. adjustable rate mortgages
 - i. graduated payment mortgages
 - j. reverse annuity mortgages
 - k. personal lines-of-credit

14. List and give examples of the various sources of real estate financing
15. Describe the influence of government in mortgage lending, including the Federal Reserve System, the secondary mortgage market and the Rural Housing Service
16. Describe the financing legislation that affects mortgage lending, including the Truth-In-Lending Act (Regulation Z), the Equal Credit Opportunity Act (ECOA), the Real Estate Settlement Procedures Act (RESPA) and Federal Flood Insurance Programs
17. Explain why "points" are charged and how to calculate them

Escrow and Settlement Process

Upon completion of this section, the student should be able to:

1. Define the term closing/ escrow/ settlement as it relates to a real estate transaction
2. Identify the participants in a closing and describe who is authorized to perform these services under the Escrow Agent Registration Act
3. Explain title examination procedures
4. Explain the purpose for title insurance
5. Describe the different types of title insurance policies
6. Explain a chain of title
7. Describe how the Uniform Commercial Code affects a real estate transfer [B-1 level]
8. Describe and explain the differences between constructive notice and actual notice
9. Define recordation and explain why it is important in a real property transaction
10. Identify and describe Internal Revenue Service requirements in the closing process including FIRPTA and 1099 reporting [B-1 level]
11. Identify and describe the significant elements of a uniform settlement statement including, purchase price and earnest money deposit, financing, loan payoffs, closing costs, prorations, sales commissions, buyers cash requirements and sellers proceeds
12. Describe the role of the real estate licensee in the escrow closing process

Leasing, Property Management and the Residential Landlord Tenant Act

Upon completion of this section, the student should be able to:

1. Explain the basic elements of a valid lease
2. Describe and compare the following four types of leasehold tenancies: tenancy for years, tenancy from period to period, tenancy at will and tenancy at sufferance
3. Explain how leases are both a conveyance and a contract
4. Describe how the elements of the Residential Landlord Tenant Act
5. Describe the basic provisions in a residential lease
6. Explain the various ways in which a leasehold agreement may be terminated
7. Describe the terms default and eviction regarding residential leases
8. Define the basic purpose of property management
9. Explain the various elements of a property management agreement outlined in the Washington Administrative Code

Real Estate License Law (18.85 RCW; 18.86 RCW; 18.235 RCW; WAC 308-124 all parts)

Upon completion of this section, the student should be able to:

1. Describe the general purposes of the real estate license law
2. Explain how license laws/statutes and administrative rules are created and describe their differences
3. Define real estate broker, associate broker, salesperson, branch manager and designated broker and explain the significant differences of these licensing terms
4. Describe the general licensing requirements for salespersons and brokers
5. Identify the real estate activities that require a license and those that do not require licensure
6. Describe the powers and duties of the Director of the Department of Licensing
7. Describe the powers and duties of the Real Estate Commission
8. Describe general license application procedures for salespersons and brokers
9. Identify and describe the major grounds for disciplinary action against licensees
10. Describe the procedures outlined in the license law that address disciplinary actions
11. Explain the role of the designated/individual broker regarding supervision of affiliated licensees
12. Describe the purpose of a broker's trust account and explain depositing requirements *and* disbursement procedures
13. Describe the required procedures when a licensee leaves a brokerage firm voluntarily, or the broker terminates the licensee
14. Describe the basic office requirements for operating a real estate company in Washington
15. Describe the licensee's requirements regarding presenting of written offers, counteroffers and addenda
16. Explain the continuing education requirements for all Washington licensees

Fair Housing Issues and Consumer Protection

Upon completion of this section, the student should be able to:

1. Describe the purpose of the Civil Rights Act of 1866
2. Describe the purpose of the Executive Order No. 11063
3. Describe the purpose of the Civil Rights Act of 1964
4. Describe the purpose of the Fair Housing Act of 1968
5. Describe the purpose of the Fair Housing Act Amendment of 1988
6. Define and give examples of blockbusting, steering and redlining
7. Identify and describe exemptions to the Fair Housing Laws, including senior housing
8. Identify local, state and federal agencies responsible for the enforcement of the Fair Housing Laws
9. Describe the penalties for those who violate the Fair Housing Laws
10. Explain the major provisions of the Americans with Disabilities Act regarding housing and real property transactions
11. Describe other rights and remedies provided to consumers in real estate transactions and identify appropriate state and federal agencies offering assistance